



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/24/03

AGENDA ITEM 3

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Acting Finance and Internal Services Director

SUBJECT: Approval of Amended Deferred Compensation Plan for City Employees and Authorization to Execute Custodian Agreement

RECOMMENDATION:

It is recommended that the City Council adopt the attached Resolution approving the Amended Deferred Compensation Plan.

BACKGROUND:

The City of Hayward Deferred Compensation Plan was first established in 1981. The Plan, established under Section 457 of the Internal Revenue Code, allows employees to establish individual retirement accounts. The Plan is administered by a nine member "Administrative Committee" which consists of representatives of the seven collective bargaining units, as well as representatives appointed by the City Manager and the Finance Director or their designee. A third party administrator is retained by the City to manage the operation of the various functions incorporated in the Plan.

In conjunction with the expiration of the initial term of the agreements for administrative services of the City's Deferred Compensation Plan, Request for Proposal (RFP) was issued to various providers of comprehensive administrative services for such plans.

Based upon model RFP's available from the National Association of Governmental Deferred Compensation Plans, an RFP was developed and sent to seven qualified firms. Based upon a review of the proposals three, ICMA, Hartford and Great-West, were invited to provide presentations to the Administrative Committee. Based on this process, the Administrative Committee unanimously recommends Great-West Life and Annuity Insurance Company to continue to provide administrative services to the City Plan, and Norwest Bank, Colorado, to continue to serve as the custodian for the assets of the Plan.

The proposal from Great-West offers the City the quality administrative services enjoyed by the Plan for the past 5 years, as well as enhancements to the web-based participant inquiry system, additional investment options, enhanced participant education features, self-directed brokerage and a favorable rate guarantee for the fixed-income investment. All features other than self-directed brokerage are offered to the Plan participants at no direct cost. Compensation for Great-West will be derived from fees received from mutual funds, all of which were reviewed during the RFP process; as well as profits resulting from management of fixed income deposits, which the Committee believes to be comparable to those of other providers. To ensure continued quality service during the five-year term of the new agreement, Great-West has incorporated performance guarantees with monetary penalties for failure to meet the standard set forth for timely processing of transactions, preparation of participant and City reports, and responses to telephone inquiries.

The Committee has also noted that Congress has been very active in revising the regulations that govern retirement plans in general, including section 457 plans such as that of the City. In this regard the City's Plan document were reviewed to ensure compliance with all applicable regulations.

The Administrative Committee recommends that the Council approve the Amended Deferred Compensation Plan to incorporate the recommended changes, and authorize the City Manager to negotiate and execute the renewal of the Custodial Agreement with Norwest Bank, Colorado.

Copies of the Plan Document, Custodial Agreement, and Servicing Agreements are available for review in the Office of the City Clerk.

Prepared and Recommended by:



Diane Lewis, Acting Finance and Internal Services Director

Approved by:



Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

me
6/16/03

RESOLUTION APPROVING THE AMENDED DEFERRED
COMPENSATION PLAN FOR THE CITY EMPLOYEES AND
AUTHORIZING THE CITY MANAGER TO NEGOTIATE
AND EXECUTE A CUSTODIAL AGREEMENT AND
PLACEMENT OF PLAN ASSETS IN A CUSTODIAL
ACCOUNT

BE IT RESOLVED that the City Council of the City of Hayward hereby approves the Amended Deferred Compensation Plan (a copy of which is on file in the office of the City Clerk) to conform to the provisions of Internal Revenue Code, section 457g, the "Small Business Job Protection Act of 1996."

BE IT FURTHER RESOLVED that the City Council hereby authorizes the City Manager to negotiate and execute on behalf of the City of Hayward a custodial agreement with Norwest Bank, Colorado, and to cause transfer of the Deferred Compensation Plan assets to the custodial account thereby created for the exclusive benefit of Plan participants and their beneficiaries.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2003

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City Attorney